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## ABSTRACT

Citizens need to understand and control how their money is used in local public schools. District publications and records probably contain the answers to many of the questions concerning local education spending. This booklet was designed to unravel the mysteries surrounding budget proposals and increased spending. Accordingly, part 1 explains the data available in most school budget statements, and part 2 identifies ways to locate information those statements may not provide. For some citizens, a careful review of the existing budget may put any concerns to rest. Others will conclude that reform is in order, and part 3 suggests some steps that will help them carry out those reforms. Appended is a glossary. (SI)

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# Making Sense of School Budgets

EA 021 315

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Office of Educational Research and Improvement

Making Sense of  
School Budgets:  
A Citizen's Guide  
to Local Public  
Education Spending

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Office of Educational Research and Improvement  
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August 1989

# Introduction

This booklet is designed to help citizens understand and control how their money is used in local public schools.

There are many reasons for citizens to seek this information. For example:

- Taxpayers who are notified that school taxes are going up may decide to investigate whether the increase is truly necessary.
- Teachers may want to know if the district can afford better textbooks in a subject where their students have had difficulty.
- Parents may suspect that too much is being spent on frills and too little on excellent instruction in science, math, history, and literature.
- New school board members may need help analyzing the budget proposed by the district superintendent.

If you are concerned about local education spending for these or other reasons, district publications and records probably contain the answers to many of your questions. However, such documents are often designed to meet the needs of accountants and may be mysterious to people unfamiliar with accounting techniques. The primary goal of this booklet is to unravel some of the mysteries.

Accordingly, part 1 below explains the data available in most school budget statements, and part 2 identifies ways to locate information those statements may not provide. For some citizens, a careful review of the existing budget will put their concerns to rest. Others will conclude that reform is in order, and part 3 suggests some steps which will help them carry out those reforms.

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# Part

# 1

## **The Line-Item Budget Statement**

The vast majority of American public school districts publish their spending plans each year in a line-item budget statement. Once it is officially adopted, the budget is the legally binding plan for using available money. The budget is the main tool used by school board members to control the school system's resources. For citizens, it is usually the best single source of information on local educational spending.

A line-item budget statement presents basic information for a single fiscal year, including:

- an estimated beginning balance;
- expected revenues;
- planned expenditures; and
- an anticipated ending balance.

The dollars available are usually divided up into several different accounting units called funds, and some budgets provide comparative data on district spending in past years.

Each of these elements of the budget statement is explained and illustrated in the pages that follow. Because some sections of your district's particular budget format may not be self-explanatory, suggested followup questions are included after the discussion of each topic. Top district administrators, such as the superintendent or chief business officer, are likely to be best informed about the accounting issues these questions raise.

## ***Has This Budget Been Officially Adopted Yet?***

In any district in the country, you should be able to obtain a copy of the school budget from your school district's central office. Before you begin to read the statement, check on its status.

In most districts, the budget adoption process involves a number of steps:

1. District administrators analyze needs and costs, set policies for the coming year, and draft a proposed budget
2. District administrators discuss their proposal with the school board in one or more meetings.
3. District administrators publish a *proposed budget*, which is made available for public study.
4. The school board holds one or more public hearings at which they receive comments from citizens on the proposed budget.
5. The school board adopts an *official budget*, based on the proposed budget but with amendments it deems necessary.
6. In some districts, the school board vote is the final decision. In other districts, the budget must then be approved by elected officials or a voter referendum. Districts vary in their solutions when a budget adopted by the school board is rejected at the next step in the process.
7. A budget which has received final approval *takes effect* in the district.

The document you receive when you ask for "the budget" may be one which has received final approval and taken effect. Or it may be only a proposed budget which the school board has not yet voted on. Depending on the process in your district, even if the board has voted, there may be another step that has to take place before the budget is officially adopted.



### ***Questions To Ask District Officials***

*Has the school board voted on this budget? If not, when are they scheduled to do so?*

*If the board has voted, is that the final decision before the budget goes into effect? If other steps are needed, what are they and when will they take place?*

*If this budget statement is already in effect, when will the proposed budget for next year be made available to the public?*

### ***What Fiscal Year Does This Budget Govern?***

Your first step in reviewing the budget statement is to determine the exact period it is meant to govern. Most school districts budget for one fiscal year at a time.

A fiscal year is a 12-month period which may begin on any day of the calendar year, and it is usually identified by the year in which it ends. For instance, Smithfield School District's fiscal year 1990 may begin on July 1, 1989, and run until June 30, 1990. Schoolville may use a slightly different fiscal year, running September 1 to August 31 each year. Most budgets will list their starting dates on the front cover or a title page.

School districts commonly select fiscal years to coincide with their school years, resulting in fiscal years starting in June, July, or August. Once a fiscal year starting date is chosen, it should only be changed for good reason, because the switch will make recordkeeping and comparisons between years more difficult.

### ***Accounting Funds: Their Purposes and Presentation***

Many districts divide their budgets into a number of separate "funds." You will need to understand the funds your district uses in order to read the rest of the budget accurately.

---

***Why  
accounting  
funds are  
used***

Separate accounting funds are useful when some money available to the district can only be used for certain specified purposes. These limitations usually are imposed by the source providing the money. For instance, the State government may require that a certain portion of State aid be used only for textbooks and another portion only for school nurses.

By keeping separate records of the revenues subject to such limits and the expenditures which fit those limits, the district can show that it has followed the limitations properly. The resulting records resemble those a family might create if it kept separate bank accounts for rent, for food, and for taxes; separate ledger entries show deposits of amounts earmarked for each and amounts withdrawn for the proper purpose. A school district may not actually have separate bank accounts for each accounting fund, but it keeps track of the different dollars as rigorously as if it did.

---

***How funds  
may be  
shown in  
the budget  
tables***

The different funds may be shown in the budget statement in several ways. First, the statement may include a different table for each fund, showing its estimated starting balance, expected revenues, planned expenditures, and resulting final balance.

Alternatively, each fund may appear as a column on a single large table. A revenue table of this sort, for instance, could allow the reader to see at a glance the money coming from each source and going into each fund.

A third possibility is that some funds may not be shown. For example, the district budget statement may show all funds used in regular operations, but not funds used for major capital investments such as new buildings or private donations designated for scholarships.

Determining whether all funds are shown in the budget statement is an important first step in understanding district finances; if not, you may have to obtain other documents to get a complete picture.

---

**Possible  
types of  
funds**

Districts usually account for most of their revenue and expenditures in a large general fund or operating fund. Most dollars in such funds can be used for all educational purposes, but some districts do list revenues subject to spending limits here.

Separate accounting funds are commonly used for capital projects and debt service. School districts often use a special tax or a bond issue to pay for new buildings, major building additions, and large pieces of permanent equipment. One fund may be used for the money received from bond sales, and another, to account for money collected under a special tax to pay off those bonds. (Even if a special debt service tax is not collected, bond holders generally have a lien on district revenues, entitling them to receive scheduled payments before any other expenditure can be made.)

Trust or agency funds may also be used. Some districts act as the agent for student groups which hold fund-raisers, or as the trustee of a scholarship fund given by a private individual or a grant from a corporation to aid a particular school. This money also has legal limits on how it may be used and so is properly accounted for in a separate fund.

Enterprise and internal service funds may also be used to help the district separate out a particular activity. An enterprise fund might be used to make sure that services which closely resemble separate businesses—such as food services or a sports facility rented out to community groups—cover their own costs.

An internal service fund might be used to promote accountability for a service used by many parts of the school system. For instance, if all schools use a central print shop, each one might be allocated a fixed sum for printing and be required to "pay" the print shop for each printing order. By maintaining an internal print shop fund, the district can trace printing use by each school and, if desired, require the print shop to cover its costs out of those transferred dollars.

When a fund is set up for strictly internal reasons, the limits on its use remain within the district's discretion.

Unlike restrictions imposed by the Federal or the State government or by private donors, these self-imposed rules can be revised by district officials.

To determine the purpose and limitations on each fund used in a particular district, you may want to consult the district's **system of accounts**. This system should be set forth in a book organized like a dictionary, allowing one to look up each fund and see what is properly included there; there will also be entries for revenue and expenditure categories. Some district budget statements may also include an explanation of the funds used.



### ***Questions To Ask District Officials***

*Are there restrictions on the uses of some dollars included in the general fund? What are the amounts subject to each such restriction?*

*What are the restrictions on the other funds shown in the budget statement?*

*Who imposed the restrictions on each fund? Which restrictions are subject to change by the school board or other local officials?*

*Are all funds maintained by the district shown in this budget statement? If not, where can information on those other funds be obtained?*

### ***Estimated Beginning Balance***

Once you see how accounting funds are used in a line-item budget, the first actual number to look for is the district's estimated beginning balance for the year in question. If you are looking at a proposed budget for next fiscal year, the beginning balance will be the money the district expects to have left over when the current fiscal year ends.

The expected balance may appear in a number of places in a budget statement (illustration 1). It may be listed as the first item in a summary chart or immediately after the figure for total revenue. If the budget is segregated

**Illustration 1.***The beginning balance may appear at the top of a summary table:***Sample table 1: Summary of all funds**

	<b>FY 1990 proposed budget</b>	<b>FY 1989 revised budget</b>
Beginning balance	\$ 150,000	\$ 200,000
Total revenues	5,750,000	5,500,000
Total expenditures	5,700,000	5,550,000
Ending balance	\$ 200,000	\$ 150,000

*Or at the top of a revenue table:***Sample table 2: Total revenue by source and fund**

	<b>Total revenue</b>	<b>General fund</b>	<b>Capital projects</b>	<b>Debt service</b>
Beginning balance	\$ 25,000	\$ 10,000	\$ 5,000	\$10,000
Federal	25,000	15,000	4,000	6,000
State	225,000	200,000	25,000	0
Local tax	75,000	30,000	0	45,000
Local bond issue	50,000	0	50,000	0
Total	\$400,000	\$255,000	\$84,000	\$61,000

*Or near the bottom:***Sample table 3: Revenues**

	<b>Expected 1989-90</b>	<b>Estimated 1988-89</b>	<b>Actual 1987-88</b>
State	\$ 54,000,000	\$ 45,300,000	\$ 52,900,000
Federal	300,000	300,000	300,000
County	55,000,000	55,300,000	55,200,000
Total revenue	109,300,000	100,900,000	108,400,000
Beginning balance	2,000,000	10,000,000	7,000,000
Revenue and balance	\$111,300,000	\$110,900,000	\$115,400,000



into a number of funds, there may be separate balances listed for each fund.

---

***Reasons for  
a beginning  
balance to  
be available***

The beginning balance may reflect developments the district did not anticipate in its planning for the current year. Unexpectedly high revenues, unusually low expenditures, or both, may produce a surplus. Likewise, a revenue shortfall or unexpectedly high expenditures can force a district to run a deficit in the current fiscal year. Even if the district's original budget was designed to produce a zero balance, these developments may produce a positive or negative beginning balance.

The beginning balance may also include money the district *planned* to have on hand, either as a reserve for contingencies or as working capital. Working capital is used when expenditures have to be made before revenue is received. For instance, if State support for teachers' salaries will not be received until February, working capital can allow the district to issue paychecks starting in September. Districts which cannot maintain a balance of working capital may have to postpone payments or take out short-term loans to tide them over.

---

***How the  
beginning  
balance is  
calculated***

In principle, determining this balance is a simple matter. By the time the district publishes its budget proposal for a new fiscal year, it has received much of its revenue and made many of its expenditures for the fiscal year in progress, and it knows most of the factors which will determine remaining receipts and spending. However, two accounting questions need to be answered in order to determine just what the balance involves.

First, one needs to know the **basis of accounting** that has been used. A basis of accounting is a policy determining *when* revenues and expenditures are counted as made. One possibility is to count revenues *when* they are actually received and expenditures only when payments are actually made; this is called a **cash basis**. Another possibility counts both earlier, for instance, local tax revenues may be entered on the books as soon as bills are sent to taxpayers, and



expenditures may be recorded when goods are received, even if payment is not due yet. This latter system, called an **accrual basis**, allows district records to show payments as soon as an event occurs which makes it clear that the payment will be needed in the future.

You probably use a cash basis in your household checkbook, listing deposits when you make them and recording checks as you actually write them. As a result, the cash basis of accounting may seem more natural than the accrual system.

On the other hand, you may also be using an informal accrual system without knowing it. Do you keep a running total in your mind of paychecks about to be received and major bills about to come due? For instance when deciding whether to buy the new coat you've just tried on, would you think ahead to next month's house and car payments and count the days until you next get paid? In essence, an accrual basis of accounting is simply a more thorough and formal way of keeping the same sort of list.

Whichever basis of accounting a district uses, it needs to be *consistent* in order to keep revenues and expenditures synchronized. Problems arise, for example, if revenues are counted on an accrual basis while expenditures are recorded on a cash basis. Records kept this way give a misleading impression, because they show dollars the district expects to receive but do not show the bills that money must pay. This practice makes the district look better off than it actually is and can create a temptation to overspend. The opposite practice—revenues on a cash basis combined with expenditure accrual—may lead to excessively conservative spending and a failure to use all the resources actually available. In addition to distorting the beginning balance figure, such inconsistencies can result in misleading statements of expected revenue, planned expenditures, and the ending balance for the fiscal year a budget statement covers.

The second accounting question regards the use of **encumbrances**. An encumbrance is an accounting practice by which money is set aside to be used to pay

for a specific item. For instance, when the district issues a purchase order for new textbooks, it may be wise to encumber the dollars that will be needed to pay for those books once they arrive. Encumbrances assure that the money will be kept available.

If encumbrances are used to commit dollars available in one year to spending for items that will be used in a later year, they can create confusion. The encumbered money may not be included in the budget statement's beginning balance, even though it will be used to cover expenses during the coming fiscal year. If so, the budget statement may give an incomplete picture of available resources.

This does not mean that encumbrances themselves are a bad thing. On the contrary, they are a useful tool for making sure that needed dollars are kept available for planned spending. Encumbrances used *within* a single fiscal year have no effect at all on the budget. The only concern you should have is that if encumbered money from one fiscal year is used to meet needs in the *next* fiscal year, it should be possible for citizens to understand where that money will go.

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### *Questions To Ask District Officials*

*How confident is the district of this estimated beginning balance? Are there major expenditures which may still change between now and the start of the new fiscal year? Are major revenue changes still a possibility?*

*How much of this balance was planned? Why was it thought necessary?*

*How much of this balance was unanticipated, and what unexpected factors led to its creation?*

*What basis of accounting was used to determine the beginning balance? Was the same basis used for all revenues and all expenditures?*

*Does the district intend to encumber dollars available during the current fiscal year to cover needs for next year? If so, how much money will be encumbered, and*

*how will it be used? Are those sums included in the beginning balance shown in the proposed budget?*

## ***Expected Revenues***

The second key set of numbers in the budget tables is the statement of expected revenues—the dollars the district expects to receive from each major source.

---

### ***Separation by source***

School districts receive money from the Federal, State, and sometimes county or parish government and raise their own funds through one or more local taxes and by selling bonds. In addition, some districts charge fees for meals, for use of sports facilities, or for other services they provide. Others may receive funds from sales of assets, insurance settlements, private donations, or other sources. In some districts, there may also be money given by private donors and held in trust for special purposes, such as scholarships or prizes, and money raised by student groups for their own activities but held for them by the district.

In presenting expected revenues, districts will use a separate line for each source (illustration 2). Where one source provides several different types of money, several lines may be used for each type of aid. For instance, State assistance may include dollars specifically designated for educating children with special needs, library books, school nurses, or other items that State legislators have given special priority. There may well be a line for a lump sum provided by the State for general educational purposes, under a title such as "general State aid," "foundation grant," or "equalization program." As in the case of funds, the district's written system of accounts should provide more detail on what is included on each such revenue line.

---

### ***Revenues shown are expected***

Bear in mind that the budget statement shows revenues the district *expects* to receive. At the time such statements are prepared, the district rarely knows these

## Illustration 2.

*Revenues may be displayed on a separate table for each fund:*

Sample table 4: General fund

		FY 1990 proposed budget	FY 1989 revised budget
Revenue			
Federal			
	Handicapped	\$ 25,000	\$ 25,000
	Chapter I	200,000	150,000
State			
	Foundation	2,550,000	2,100,000
	Nurse program	50,000	50,000
	Library support	25,000	25,000
Local			
	(property tax)	2 400,000	2,650,000
Total revenue		\$5,250,000	\$5,000,000

Sample table 5: Transportation fund

		FY 1990 proposed budget	FY 1989 revised budget
Revenues			
State			
	Pupil transport	\$175,000	\$75,000
Local			
	Motor vehicles	25,000	10,000
Total revenues		\$200,000	\$85,000

*Or funds and sources may be cross-listed in a single table:*

Sample table 6: Total revenue by source and fund

	Total revenue	General projects	Capital projects	Debt service
Beginning balance	\$ 25,000	\$ 10,000	\$ 5,000	\$10,000
Federal	25,000	15,000	4,000	6,000
State	225,000	200,000	25,000	0
Local tax	75,000	30,000	0	45,000
Local bond issue	50,000	0	50,000	0
Total	\$400,000	\$255,000	\$84,000	\$61,000

figures with full certainty. State and Federal funding will depend on legislative actions which often have not yet been taken, and bond sales or various fees may not turn out as the district projects.

In addition, the local tax revenue portion of the budget depends on the budget being approved by the school board or by whatever other local body is responsible for setting education-related tax rates. When district administrators submit their proposed budget, in effect, they are *requesting* approval of local taxes to cover all expenditures not paid for by revenue from other sources.

Local tax revenues may also be altered by change in the tax base to which any given tax rate is applied. For instance, an increase in commercial activity can raise revenues in a district using a sales tax. A major business bankruptcy may leave property taxes unpaid in a district counting on those revenues.

In most years, district officials can be fairly confident of their revenue projections. However, if a major economic or political change occurs in the district, State, or Nation, substantial amendments may be needed after the budget is adopted. Citizens may want to ask district officials how reliable they consider their revenue estimates for the upcoming fiscal year.

---

## ?

### *Questions To Ask District Officials*

*How confident is the district of its revenue estimates?*

*Have the State and Federal governments made final decisions on their contributions?*

*In past years, has our State rescinded aid after it was originally offered? Might that happen this year?*

*Are there reasons to suspect that the local tax base may change significantly?*

*What local tax rates will be needed to fund this budget? Who has the authority to approve those rates? Is it the school board, the city council, the citizens of the town, or someone else?*

*What will the district do if the requested local taxes are not approved?*

*What will the district do if other elements of revenue do not come through as expected?*

## ***Planned Expenditures***

The expenditure plan is usually the most detailed portion of the budget and also the portion in which there is the widest variety from one district to another in how information is organized and presented.

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### ***Possible expenditure categories***

Each district divides its expenditures into a number of categories. In some States, there are statewide regulations on the categories to be used or standard forms listing the terms to be used, while in others these decisions are left to local discretion.

Many districts categorize expenditures in terms of functions and objects (illustration 3).

Functions are broad categories of purposes to be served by spending. Examples of functions might be "instruction," "support services," "debt service," and "facilities acquisition."

Object categories identify specific things to be paid for, such as "personnel salaries," "purchased services," or "materials and supplies." Any given expenditure is counted both by its function and by its object.

---

### ***Expenditures shown are planned***

The expenditure section of the budget shows the district's *planned* spending pattern. Bear in mind, however, that these plans are subject to change for a number of reasons. Prices may rise or fall. The number of students needing to be served may not quite match the district's projections. Unusual weather can dramatically affect utility bills, or there may be emergency maintenance needs at one or more buildings.

Collective bargaining agreements are another major source of expenditure uncertainty in some districts in some years. If negotiations with one or more personnel

**Illustration 3.**

*In this expenditure table, the same objects appear under each function heading:*

**Sample table 7: General fund**

	<b>FY 1990 proposed budget</b>	<b>FY 1989 actual budget</b>
<hr/>		
<b>Instruction</b>		
Salaries	\$2,550,000	\$2,350,000
Benefits	200,000	200,000
Purchased services	50,000	50,000
Supplies	100,000	150,000
Property	300,000	300,000
<b>Total instruction</b>	<b>3,200,000</b>	<b>3,050,000</b>
 <b>Support</b>		
Salaries	1,100,000	900,000
Benefits	100,000	100,000
Purchased services	150,000	50,000
Supplies	100,000	150,000
Property	150,000	100,000
<b>Total support</b>	<b>1,600,000</b>	<b>1,300,000</b>
 <b>Noninstructional services</b>		
Salaries	50,000	100,000
Benefits	5,000	10,000
Supplies	15,000	30,000
Property	40,000	50,000
<b>Total noninstructional</b>	<b>110,000</b>	<b>190,000</b>
 <b>Facilities</b>		
Salaries	150,000	120,000
Benefits	15,000	12,000
Supplies	200,000	120,000
Property	135,000	48,000
<b>Total facilities</b>	<b>500,000</b>	<b>300,000</b>
 <b>Total expenditures</b>	<b>\$5,410,000</b>	<b>\$4,840,000</b>

**Illustration 3 (continued).**

***In contrast, this expenditure table cross-lists functions and objects. This makes it easier to find totals for each object, but leaves no room for data from a previous budget:***

**Sample table 8: General fund expenditures by function and object**

	Personnel			Purchased services	Supplies and material	Capital outlay
	Total	Salaries	Benefits			
Instruction	\$200,000	\$150,000	\$40,000	\$5,000	\$ 4,000	\$1,000
Support services	60,000	40,000	10,000	0	10,000	0
Non- instructional services	5,000	3,000	1,000	1,000	0	0
Operations and maintenance	10,000	7,000	1,000	1,000	0	1,000
Facilities construction	2,000	1,000	0	0	0	1,000
Totals	\$277,000	\$201,000	\$52,000	\$7,000	\$14,000	\$3,000



unions are going on when a budget is drafted, the district cannot project the salaries, benefits, and other expenses that may result from the final settlement. Moreover, as a matter of bargaining strategy district administrators may not wish to state in the proposed budget the amount they are willing to offer. As a result, in years when contracts are being renegotiated, a district may deliberately adopt an initial budget holding these expenses to current levels, even though later agreements may raise the expenses and require major budget amendments.

Districts also vary in the level of legal control the school board exerts through the adopted budget. In some districts, administrators have the authority to transfer dollars from one object to another within a particular function or to make some other types of changes without consulting the school board. Only those elements which are not subject to such administrative changes are legally binding.

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*Other  
possible  
formats for  
presenting  
expenditures*

While a line-item budget featuring a function and object presentation of expenditures is the most common budget format, it is certainly not the only possibility. Some experts have proposed alternatives they believe would provide more useful information. Based on these proposals, some districts now publish an additional document showing spending plans in a different format.

A **program budget statement** is the most common alternative format. In this type of statement, fund accounting is still used and revenues are accounted for by source. Expenditures and revenues, however, are presented according to major activities called programs. For instance, a program budget might identify separately its spending on the regular elementary and secondary program, on special programs for learning disabled and gifted children, and on noninstructional programs, including transportation and food service. Readers of these documents may need to check the district's system of accounts to learn what each program includes.

A school-level budget statement, identifying all resources available to an individual school, is rarer. In reviewing such statements, ask how staff costs are determined; they may be presented using districtwide averages rather than actual figures. Similarly, check whether central office costs are divided among individual schools and, if so, how this is done.

Such alternative statements, if available in your district, should include the same sorts of beginning balances, expected revenues, and ending balances as are found in a standard line-item format.

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## ?

### *Questions To Ask District Officials*

*What items are included under the "instruction" function (or any other function or object)?*

*Which expenditure items are subject to being altered by current collective bargaining negotiations?*

*How did the district determine the proposed spending on instructional salaries (or any other item) for the coming fiscal year?*

*What is the legal level of control entailed in this budget? That is, what alterations can be made in this plan without a budget amendment enacted by the school board?*

## *Planned Ending Balance*

Finally, most school budgets will show the expected balance at the end of the year.

Some school districts are legally required to develop a budget in which the ending balance will be zero. Others are permitted to plan to have some money left over. This remaining balance may be used as a reserve for contingencies or as working capital.

Where legally permitted, maintaining some reserves for contingencies or working capital may be prudent. Of course, excessive reserves keep dollars idle when they

**Illustration 4.*****The ending balance may be shown on a summary table:*****Sample table 9: Summary of all funds**

	<b>FY 1990 proposed budget</b>	<b>FY 1989 revised budget</b>
Beginning balance	\$ 250,000	\$ 150,000
Total revenues	5,625,000	5,150,000
Total expenditures	5,700,000	5,000,000
Ending balance	\$ 175,000	\$ 300,000

***Or it may appear at the bottom of an expenditure table:*****Sample table 10: Expenditures**

	<b>Proposed 1989-90</b>	<b>Estimated 1988-89</b>	<b>Actual 1987-88</b>
General control	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Instructional	87,000,000	87,000,000	83,000,000
Operation of plant	11,000,000	11,000,000	10,000,000
Self-insurance	12,000,000	11,000,000	9,000,000
Unappropriated revenue	0	2,000,350	2,000,000
Total expenditures	\$111,000,000	\$112,000,350	\$111,000,000

***Or it may be omitted entirely if planned expenditures will exhaust all expected revenues plus the beginning balance.***

could be used to improve needed services or to reduce taxes.

The district's projected ending balance may appear on a summary page or in separate charts for each fund (illustration 4). It may be called "unappropriated revenue," or "unappropriated fund balance." In some budgets, planned expenditures from a general fund may exhaust all dollars available from the beginning balance and expected revenues. If this is so, there may be no separate line stating that the ending balance will be zero, but in fact all money available in that fund is accounted for. If planned spending will *not* use up the beginning balance plus expected revenue, there definitely should be a line identifying the expected ending balance.



### *Questions To Ask District Officials*

*Is the district legally required to plan in its budget to reach a zero balance for all its funds? For certain particular funds?*

*How did the district determine the desirable ending balance?*

*If an ending surplus is projected, how will those dollars be used in subsequent years?*

### *Data from Previous Years*

Line-item budget statements may also present data on past years to be used for comparative purposes.

There may be information on previous budgets, perhaps for the current fiscal year and the one immediately passed. This information allows the reader to identify quickly any increases or decreases in planned expenditures. In some cases, these budget figures come from the district's original budget, while others use a revised budget showing amendments authorized during the year.

There may also be information on actual, as opposed to budgeted, expenditures. For the fiscal year which is still in progress, these may only be estimated figures.

These columns are designed to help the reader see trends in district spending. As you review those trends, you may find yourself wondering just what they involve. For instance, if the district plans to spend more on instructional salaries, you may want to ask if existing teachers are to receive raises, new teachers are to be hired, or both. If maintenance costs have stayed the same for several years, that may indicate tight management, or it may mean needed work has not been done. In some fields—such as computer purchases—there may be good reason to expect costs to be going *down*, and you may want to question even a budget that stays constant.

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## ?

### *Questions To Ask District Officials*

*What is the basis for projecting that State foundation aid (or revenue from any other source) will be higher next fiscal year than it has been this year?*

*How did the district decide to spend more next year on instructional personnel salaries (or any other item) than it did during this fiscal year? How will the additional dollars be used?*

*Will next year's utility bills (or the cost of any other item) really be as high as this year's—or could this cost be reduced?*

*Has the district's total pupil enrollment been declining? If so, why have costs been increasing?*

# Part 2

## Widening Your Exploration

The district's line-item budget is sure to answer some questions and raise others. This section offers strategies for finding answers to some of those additional questions. Specifically, it discusses how to find out:

- how resources get allocated to individual schools;
- how district spending has changed in recent years; and
- how your district's expenditures compare with spending in other districts and institutions.

Depending on the issues that concern you most and the time you have to invest in research, looking into each of these items will move you closer to a complete picture of your district's financial situation.

### *Allocation of Budgeted Resources to Particular Schools*

Many citizens begin their interest in school finances with a concern about a particular school, often the one in their own neighborhood or the one their own children attend. If this is your primary interest, you may have found the discussion of the line-item budget statement frustrating, because most such statements do not talk about individual schools.

As a matter of fact, only a small minority of districts publish information on what particular schools will receive. Instead, most school budget statements show only districtwide figures, even though those figures may have been developed based on estimates of needs

at each school. Once they receive an approved budget, the superintendent and other district administrators allocate the resulting resources to individual school sites.

As a result, citizens concerned about spending on particular schools will need to seek out the officials responsible for such allocations. If you plan to look into this subject, it may be helpful to be familiar with **allocation formulas**, which are the most common technique used to decide what resources a school will receive.

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***How  
allocation  
formulas  
work***

In most districts, important resources are assigned to schools using mathematical formulas. What a school receives will depend on a few basic numbers, such as number of students and size of building. These numbers are plugged into the official formulas to allocate teachers, administrators, support staff, books, supplies, and other major resources.

**Allocation of teachers.** Teachers will usually be allocated according to the number of students expected to enroll in a particular school and according to the class size the district seeks for that level of school. Total enrollment, divided by desired class size, will produce total teachers allocated to a school.

Typically, the allowed class size is smaller at the secondary level than at the elementary level. For example, a district central office may allocate one teaching position for each 25 students at a high school and one teacher position for each 28 students at an elementary school. Thus, a high school of 1,500 will then receive 60 regular classroom teaching positions, while an elementary school of 700 will receive 25.

These allocations, like other personnel allocations, may be counted in numbers of "full-time equivalencies" or "FTEs." When part-time staff are used, or a single person splits work between several buildings, the building is listed as having a fraction of an FTE. The FTE count gives a more precise sense of how a school is staffed than a statement which counts full-time and part-time staff equally.

**Allocation of other personnel.** Some other positions are also likely to be allocated according to number of students. A vice principal may be assigned for every 500 students. Librarians, clerks, department chairs, social workers, and so on may be assigned on the same basis.

Some other positions may depend on other factors, such as building size. Custodians may be allocated based on size of the facilities, and gardeners may be a function of total square footage around the school building.

**Allocation of materials.** Many school supplies will be allocated on a per-pupil basis. Thus, the textbooks, chalk, paper, science materials, and student workbooks may be assigned based on expected enrollment. Alternatively, the school may be allocated a dollar amount per pupil to cover these costs, giving the principal or teachers some discretion about just which items to procure.

**Exceptions to the formulas.** Most districts are quite firm about using these formulas, because they are seen as essential to equity among schools.

The district may make exceptions to provide a minimum level of staffing for a small school. For instance, even if the standard formula allows a counselor for every 700 students, a school may receive one counselor even if it only has 500 students.

Exceptions may also be allowed when a school faces clearly unusual circumstances. For example, a school may have a good case for an additional teacher or counselor if it receives a sudden influx of students who do not speak English.

**Centralized services.** Some items in the budget will not be allocated to individual school sites. Some functions are actually provided at the district level, such as legal services and business operations; in these cases there really are not separate personnel or resources that could be meaningfully divided into fractions going to each school site. Some other functions serve two or more schools—such as transportation or a district maintenance office—and these may also be organized



centrally. Depending upon district practice, a greater or lesser amount of the total budget will be held centrally, its allocation determined by districtwide administrators.

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***Differences  
in resources  
supplied to  
different  
schools***

Most districts have a clear policy of trying to provide equal education to all students. However, very few districts end up providing equal resources to each school.

The most important reason why two schools with similar enrollments may receive very different dollar allocations is the teacher seniority system. In the first place, the salaries and benefits teachers receive are usually determined by their seniority and their training. The highest paid teachers will generally be paid about twice as much as the lowest entry-level teachers. In the second place, senior teachers usually are given special say in where they are assigned. If the senior teachers, with the highest salaries, all prefer a given school, they can create a situation in which total expenditures for that school are far higher than they are at a school with many newer teachers.

Some unequal allocations to schools may also result from efforts to provide equal service to all students. For example, in a diverse community, one school may draw a disproportionate number of students who need extra help in learning to read; the superintendent may assign more reading specialists to that school, or place a pilot program to improve reading skills in that school first. In some cases, these differences may even be legally required; for example, Federal money to assist disadvantaged students under the Chapter 1 program may only be spent on programs specifically for those children, not on improving the program for all students enrolled.

These differences can be built into the allocation formulas the district uses. For instance, a formula providing one extra reading specialist for every 200 students reading below grade level will result in more resources going to a school where many children have reading difficulties than to one where most children are doing well.

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**Obtaining  
information  
on  
allocation  
policies**

Central office administrators and financial officers are most likely to know about these formulas. The school board may rely on the superintendent and his staff to handle this matter, and principals and teachers may not have had an opportunity to learn just how the decisions are made.

Some district administrators worry that citizens will reject their reasons for differences in the resources allocated to particular schools, even if those reasons are quite good ones. As a result, they try to avoid making the data public. If the officials you talk to seem to resist answering your questions, you may want to explain, first, that you understand that there can be good reasons for schools to receive unequal resources, and second, that you want the data in order to evaluate for yourself the justifications for differences in your district.

In addition to identifying the key formulas, you may want to review the data which will be used to apply those formulas. For instance, the district's prediction of how many students will enroll in a particular school next year will be used in the formulas for allocating teachers, books, and other significant resources.

You may also wish to ask about how much flexibility schools are given in the resources they receive. Can a principal choose whether her school receives a computer program or a set of workbooks of equal cost? Can an individual teacher decide which would be more helpful for his students? Can the teachers in a school elect to be paid for working additional hours with students instead of the school hiring, say, a second guidance counselor? Or are these decisions all settled at the district level? While some experts believe that uniformity is necessary for fairness, others have argued that if the *value* of the resources is similar, better education can be obtained by allowing each school to decide exactly which items it can use best.

Finally, you may want to ask whether the district would consider issuing a school-level budget statement. Although it is still rare, a few districts have already begun to provide a statement which shows the resources each school will receive. If your district does decide to

publish this type of budget, pay extra attention to how those statements treat staff costs and central office services. Staff costs may be based on districtwide averages rather than the salaries and benefits going to the employees actually at a particular school. Central office costs may be divided up among schools or shown on a separate chart, and it is important to know just how they are treated in order to get a complete picture of how money is being used.

## ***Review of Past Expenditures***

You may also want to investigate how your district's spending patterns have changed in recent years. You may find that an area you suspected was underfunded has indeed been cut back three times in the last 5 years. Or you may discover that, while district officials have restrained spending in most areas, salaries and benefits in the central office have been growing rapidly. On the positive side, you may discover that the district is already in the process of realigning its priorities, with money being shifted each year toward classroom instruction and with supporting activities being carefully justified in terms of expense, benefit to students, and service to the community.

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### ***Historical financial reports***

The district's annual financial reports are a good place to start a review of past spending. These reports, prepared after each fiscal year ends, describe what was actually done with the district's money during that period. The tables used closely resemble those in a budget statement, except that where a budget gives projected figures, the financial report provides a picture of what was ultimately done.

In addition, financial reports often offer information on the district's assets. Usually, these entries will show the value of district assets at the start of the fiscal year covered and then identify the value of assets added during that year.

The district's capital assets are resources which it can continue to use for a number of years—its buildings,

land, and reusable equipment. One caution: following the recommendation of accounting authorities, many districts do not list **depreciation** for most assets when preparing their financial reports. As a result, wear and tear on older buildings may not be accounted for. On the other hand, neither will enhanced value be shown; even if inflation, increased land prices or other factors have made a building worth more, only its original cost may be listed.

In addition to capital assets, the assets reported in a financial report are likely to include cash, investments, accounts receivable, and inventory.

Financial reports also have the advantage of having been audited by outside accountants before they are released. If the district has not followed generally accepted accounting practices, the **auditors' opinion** included in the financial report will explain what the district has done.

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#### ***Budget statements***

Budgets for previous years can also be helpful. Comparing the budget adopted at the start of any year and a financial report prepared at the end may reveal significant changes. Some of these changes probably reflect budget amendment resolutions adopted by the school board, while some of the smaller changes may have been within the discretionary power of the superintendent or another district official.

In making this sort of comparison between budgeted and actual spending, be sure to use a copy of the *original* budget. Although many financial reports include a column of budget figures, these figures often come from a *revised* budget which already includes major amendments to the district's original plan for the fiscal year.

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#### ***Things to look for***

In reviewing either financial reports or past budgets, you may want to look for several things. Are there items which have risen rapidly in the last 5 years? Are there items which have not increased or which have been eliminated? Does a comparison between the original

**budget and the financial report for a single year reveal a major jump for a particular item?**

**You may also want to check on trends which you suspect may be especially revealing. What has happened to teacher salaries over the past 20 years? Has the total figure increased? Has it increased as much as inflation? Has it increased or decreased as a percentage of total district spending? How about administrative salaries, textbooks, or utility bills?**

**In this investigation, as in reading the current budget, you may find that published district documents do not provide the details you want. If you want specific information on an item which is not accounted for separately in those documents, you may want to ask for figures from the district's accounting records.**

**In keeping those records, school districts often use an accounting system which tracks purchases and payments in considerable detail. For example, if the year-end financial report offers a single figure for "supplies and materials," there may well be more specific data behind that entry. In district ledgers, there may be specific codes used to identify payments for books, paper, chalk, and so on. In a computerized accounting system, even more detailed data may be kept, perhaps distinguishing library books from classroom texts and workbooks.**

**If a citizen is interested in expenditures for an item not separately identified in the financial report, a district business official may be able to retrieve that data on request. Although there may be cases when finding the figure requested is burdensome, in other cases, especially with computerized recordkeeping, the desired data can be retrieved in a matter of seconds.**

**Finally, you may want to take a little time to look at what has *not* changed. For instance, if the superintendent said 5 years ago that his top priority for high school education was to add physics and chemistry courses, you *should* see an increase in the materials budget in order to supply chemistry and physics laboratories. If an expensive new computer was supposed to pay for itself in saved secretarial salaries**

and accountants' fees, you should *see* the savings somewhere in the budget.

Depending on what you find, you may want to follow up your investigation with another discussion with school board members or district administrators, asking for explanations of trends that seem important.

## ***Comparisons with Other Districts and Institutions***

To complete your assessment of your district's practices, you may want to compare your district's expenditures with spending in other school districts and other institutions with similar needs.

In looking at other school districts, the most informative comparisons may be with districts of similar size, with similar sources of funding, and with similar student needs. Because some costs vary from one part of the country to another, location should be considered in looking for good parallels.

In selecting districts, you may want to pick a few nearby districts with a similar student body and a similar tax base. District officials may be able to identify several school systems that they use for their own comparisons. You may also be able to obtain data on comparable school districts from State government agencies or other research groups. Some school districts receive detailed comparative studies from private researchers on a subscription basis and may be able to make them available for citizen study.

Statewide or nationwide averages can also be informative. One source you might look into is the National Center for Education Statistics' annual publication, *The Condition of Education*, which provides tables and discussions about a number of major educational trends. For instance, the 1989 edition reports that public school expenditures in 1986-87 averaged \$3,977 per pupil, excluding capital outlays, interest on school debt, and community service spending. If your district spends more than this, you may want to ask why. There may be specific costs that are unusually high or your district's extra spending may



support daring and valuable initiatives—or there may be problems that can and should be fixed.

In any such comparisons, don't stop your investigation simply because your district is close to a State or national average. Remember that local conditions may permit lower expenditures or require higher ones on some elements of education. Think critically about whether average spending is appropriate given your district's specific circumstances.

Comparisons with higher education or private schools require additional care. A university invests in research, adding to its costs, while some private schools limit the type of students enrolled or the programs offered, allowing some savings not available to your district. Nevertheless, these institutions may provide important benchmarks for thinking about public education. For instance, what would it cost to attract school teachers with doctorates in history or chemistry, as local colleges do? Does the local parochial school manage to offer elementary school language instruction at lower cost and could the public school system learn from its techniques?

For some specific services, comparisons to other institutions or businesses may be appropriate. How much does a hospital spend per meal per person on its food service? What do local businesses spend on employee benefits as a percentage of employee salaries? Is photocopying in black ink at the local printshop cheaper than the district's printer which provides blurry, purple copies? If the services provided are truly similar, these comparisons may identify important opportunities for savings.

## Part

# 3

## Changing District Priorities

When you have completed your review of where money goes in your local school district, you may be impressed with what you find, or you may be disturbed. You may conclude that your district's spending plan is quite sound, reflecting policies which are well designed, efficiently implemented, and effective at educating the district's children, and your efforts may be at an end. On the other hand, if you have identified areas where you believe change is needed, you may find yourself at the beginning of a long-term involvement in the details of local government.

If you are dissatisfied, you will need to formulate a reform strategy. The approach you take, like the decision about which reforms to propose, is a judgment you must make for yourself. However, there are three general principles that may help you in your efforts. First, develop a clear appreciation of the obstacles you may face. Second, make your proposals as clear and concrete as you can. Third, schedule your efforts at appropriate times during the budget cycle to maximize their impact.

### *Understand the Obstacles*

You will be more effective if you begin with a realistic appraisal of the difficulties you may face. School systems, like any institution, tend to be attached to existing policies and averse to change. In addition, some important forces may limit the ability of local officials to act quickly even if they agree wholeheartedly with your suggestions.



First, they must pay off any district debts. The creditors who have purchased district bonds have a legal right to be paid on schedule. Technically speaking, they are said to have a lien on district revenues which entitles them to be paid before any other expenditures are made.

Second, local officials must obey regulations attached to revenue from outside the district. On average, State governments now provide about 50 percent of all dollars spent on public education, with wide variations in the amount supplied in each State, and the Federal Government supplies roughly 6 percent of annual spending on public education. Depending on what sort of strings are attached to this money, local officials may or may not be able to use it to make the changes you suggest. If only local revenue can be used for the ideas you propose, reform may be substantially more difficult.

Third, local officials must abide by any collective bargaining agreements made with their personnel. Salaries and benefit spending makes up more than 70 percent of the average district's budget. Changes in these agreements must be negotiated with the affected unions. New contract talks may not be scheduled to take place for several years, and concessions in other elements of the contract may be needed to get agreement to reforms you have in mind.

If your proposal does not run into any of these obstacles, it will probably still take a full year to get it included in the budget. If you obtain the support of district administrators, they will need that time to build it into their next budget proposal. If they reject your suggestion, you will need at least that long to convince school board members to amend the budget that administrators submit.

Most obstacles can be overcome in time. If necessary, you can work to revise State and Federal laws as well as changing local policy. However, it will help sustain your commitment if you begin by realizing that you may be embarking on a project that will take a number of years.

## ***Develop a Concrete Proposal for Improvement***

A second factor that will add to your chances of success is a clear statement of what you want done.

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***What  
precise  
changes do  
you  
recommend?***

First, you will want to specify just how priorities should change. An increased emphasis on academic instruction, for instance, could take several forms. Do you think the top priority should be reorganizing the curriculum to focus more rigorously on fundamental knowledge? In budget terms, this might only require allocating some initial funding to revise course offerings. Or should the focus be on the teachers, and if so, should the budget change be increased salaries, hiring more teachers, or providing special training?

Similarly, simply asserting that "frills" should be cut will rarely give district officials a clear idea of what you want changed. Some citizens see driver education as providing a crucial survival skill, while others argue that this nonacademic item could reasonably be left to parents or privately paid instructors. Some may see school plays as a luxury a financially strapped district cannot afford, while others see them as an important chance to interest students in literature and teach responsibility, cooperation, and perseverance in long-term projects. Make your own positions explicit.

You may also want to bolster your proposal with examples of success elsewhere with similar changes. If your exploration of statewide spending on heating revealed substantially lower average expenditures, you may want to explain how those savings could be duplicated locally. Similarly, if you can point to a neighboring district which has already taken the steps you would recommend to improve reading scores, that will make your proposal much easier to understand.

Depending on your interest, you may also want to look for research and education reform proposals which address your concerns. Local research librarians or professors of education at a nearby university may be able to give you some starting suggestions for this type of study.

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***How will  
the budget  
be affected?***

Once you have spelled out the overall change in priorities you want, you will also want to develop a clear notion of how specific lines in a budget should be changed. You should be able to identify specific items to be cut or increased.

If your ideas will require increased spending on some items, think about where the money can be found. Possibilities include reduced spending on lower priority activities; grants from the State or Federal Governments, local businesses, or philanthropic foundations; or an increase in local education taxes. Your proposal will be stronger if you can identify which of these should be used.

As the introduction pointed out, one problem you will face in developing specific proposals is that the school board usually acts only a few weeks after the proposed budget is published. You may not have much time to work through how next fiscal year's budget should be changed. One solution is to use this fiscal year's budget (the one adopted last year) as a model. Since districts rarely make radical changes in their key spending categories, you can develop a mock proposal based on the current budget and then make any needed revisions quickly when the new budget appears.

Your plan should also fit into the legal constraints on district funds. It should comply with State and Federal regulations, with rules for each accounting fund you wish to draw on, and with the district's obligations under its labor contracts and debt agreements. Mastering all those restrictions could overwhelm most citizens, so you may want to develop a rough statement of your proposal and then ask the district's chief business officer to review it for difficulties.

## ***Make the Budget Development Schedule Work for You***

Synchronize your efforts with your district's budgeting schedule. In many districts, planning for the next fiscal year begins as soon as the current budget is adopted, and your suggestions can be most effective if they fit

into that schedule. With each step of the budget process, you may want to make a different type of effort.

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**Step 1:**  
**Budget**  
**development**

In most districts, the initiative in budget development is taken by a top executive—usually either the superintendent or the chief business officer. Under that executive's leadership, district employees assigned to budget development spend most of a year gathering data and selecting among available options. Their final product is a completed proposed budget that is submitted to the school board, which makes any amendments it deems necessary and then approves a final budget.

At this stage, you may want to talk to the superintendent and other leaders in the budgeting process. If they are convinced by your proposal, they can build it into their own plans. This endorsement will greatly enhance your chances of success.

This discussion should be helpful even if they reject your suggestions. First, you will have a chance to hear and consider their arguments. They may be able to point out strengths in the current plan that you had not considered. Second, if you decide to pursue your proposal further, you will know that you face a struggle to convince the school board that the proposed budget should be amended. Knowing the objections of district administrators will help you sharpen your case and organize support for your ideas.

Two informative documents may also be available early in the budget development process. First, the district may develop an **assumption statement**, setting forth key assumptions and formulas to be used in budget development. Second, some school districts publish a **calendar** of major steps in their budget development process. If the district does not publish a calendar, the district executive in charge of budget development may be able to provide an approximate statement of his or her planned timetable.

During this period of budget development, you may also want to make initial contact with school board members. If you expect the proposed budget will

include the changes you support, you can let board members know that you consider those changes important. If you believe the budget proposal will need to be amended, you can present your arguments to board members and ask for their support.

Finally, this is the time to build wider support for your proposals. You may want to consider letters to the local paper, presentations to citizen groups, petition drives, or other techniques to broaden awareness of the issues and demonstrate to district officials that your concerns are widely shared.

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**Step 2:**  
***Presentation  
to the  
school board***

The proposed budget, or a summary of its major elements, is usually presented to the school board days or weeks before it is officially released to the general public. In some districts, board policy may ask board members not to discuss this initial briefing, but in other places board members are free to discuss what they have heard.

This is a good point for a followup visit to school board members. Even if they are not at liberty to share the details of the budget, they are likely to be thinking about concrete spending plans and may be ready to listen more closely to suggestions for change.

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**Step 3:**  
***Publication***

Before a budget can be officially adopted, it must be published and made available for citizen review. This publication usually occurs relatively late in the budget process, leaving only a few weeks for you to read it, ask questions, and propose changes. As already noted, this tight schedule for studying next year's budget is one reason to review the current year's budget closely. You will also want to be sure you get the proposed budget as soon as it is printed. Copies of the budget may be available for review at the district office before they are distributed. Some districts will also mail copies to citizens upon request: it may be possible to put your name on a mailing list to obtain an early copy.

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**Step 4:**  
**Public**  
**hearings**

The school board usually holds one or more public hearings, at which it solicits citizen comments on the proposed budget. Such meetings provide the single best opportunity to ask questions and propose changes in a public forum, and board members may use them to gauge whether citizens are genuinely concerned about elements of the budget.

Accordingly, you probably will want to appear at the hearing and make a statement. However, your efforts there will be most effective if your concerns are already familiar to the board. If you have multiple, complex, or detailed questions to ask, it may be better to talk to district officials or board members several days before the public hearing. These early conversations allow time to look into questions which cannot be answered immediately. Similarly, if you want specific dollars cut from an activity, added to it, or transferred from one activity to another, you may want to give board members your proposal in writing so that they have a precise idea of what is involved.

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**Step 5:**  
**Budget**  
**adoption**  
**and funding**  
**approval**

After holding hearings, the school board adopts a budget with whatever amendments it deems necessary. In some districts, the board's vote is the final step before the budget goes into effect. In other districts, the budget may have to be approved by a local legislative body—such as a city council or county commission—or by a referendum of district voters. You will want to follow the process all the way through, talking to the appropriate authorities at each stage and monitoring their decisions to make sure important changes are actually made.

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**After the**  
**budget takes**  
**effect**

During the period a budget is in effect, events may develop which require changes in the district's spending plans. Changes which can only be made by the school board will be made by **budget amendment resolutions**. Citizens who have worked on the details of an original budget may also wish to follow any amendments made to it. In some places, such resolutions can only be made at a public meeting; in

others, notice must be published in the paper before a final vote can be taken.

As noted in the discussion of expenditures (see part 1), some elements of the budget can be changed by administrators without consulting the school board. Citizens who want information on these changes will need to speak with the administrators empowered to make them, or, after the fiscal year ends, to compare the original budget with the financial report as suggested in the section on past expenditures.

## **Conclusion**

**Assuring that public education dollars are used well is a responsibility all citizens must share. It takes time and energy to master any local school budget and an additional commitment to achieve significant improvements in districts where reform is needed. If the information in this booklet makes these vital tasks even a little easier, it will have achieved its goal.**



# Glossary

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***Accounting records***

The records a district keeps of its actual revenue and expenditures as money is received and spent; these documents may be able to provide more detailed information on specific items than is published in the district's financial report.

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***Adopted budget***

Budget which has been officially voted on by the school board.

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***Allocation formula***

A mathematical formula used to determine the resources to be received by a particular school, based on its anticipated enrollment or other factors.

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***Assets***

Resources which can be used over a number of years, including capital assets (such as school buildings and major equipment), cash, investments, accounts receivable, and inventories. Assets are often listed in the annual financial report and may be paid for by issuing bonds which will be paid back over a number of years.

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***Assumption statement***

A document prepared by district administrators early in the process of developing a proposed budget; it sets forth key expectations for the coming year, such as number of students to be served, the rate of inflation, and other factors which will govern the development of a detailed financial plan.

<b><i>Basis of accounting</i></b>	The policy governing <i>when</i> revenues and expenditures are counted in the district's accounting records; possibilities include a <b>cash basis</b> , which lists financial events only when money is actually received or paid out, or an <b>accrual basis</b> , which counts changes when the district knows the events will occur.
<b><i>Beginning balance</i></b>	The amount of money a district has on hand at the start of a fiscal year, consisting of dollars remaining at the end of the previous fiscal year.
<b><i>Bond</i></b>	A borrowing device used by many school districts; the buyer of the bond is entitled to receive scheduled payments before district dollars are used for any other purpose, that is, the bond holder receives a lien against district revenues.
<b><i>Budget development calendar</i></b>	The schedule of steps to be taken by district administrators and the school board in the process of creating the budget for the next fiscal year; this document may identify target dates for receiving proposals from principals and division heads, making executive decisions, private meetings to brief the school board on the proposed budget, publication of the proposed budget, public meetings to receive citizen comments, the final school board vote, and any subsequent steps required before the budget can take effect.
<b><i>Depreciation</i></b>	Reduction in the value of capital assets through wear and tear or obsolescence.
<b><i>Encumbrance</i></b>	An accounting device which marks certain dollars as set aside for a specified purpose; entered when a purchase order or requisition is made.
<b><i>Ending balance</i></b>	The dollars remaining available to the district after all expenditures are made during a fiscal year.

<b>Expenditure</b>	Spending; the budget's most detailed sections set forth the district's <i>planned</i> expenditures for the coming fiscal year.
<b>Financial report</b>	An annual document published after each fiscal year ends; it sets forth actual expenditures and revenues and is usually subject to outside audit to verify its accuracy.
<b>Fiscal year</b>	A 12-month period with a starting date selected by the school district and used as the basic period to be covered by the annual budget.
<b>Full-time equivalency (FTE)</b>	A unit used to count the personnel assigned to a school or other administrative unit, consisting either of a full-time employee or two or more part-time employees together working a number of hours equivalent to one full-time employee.
<b>Function</b>	An expenditure category defining a general purpose for which district money is spent, used in organizing a standard line-item budget; examples might include "instruction," "administration," or "support services."
<b>Fund</b>	An accounting device used to track revenue dollars which can only be used for specified purposes and to record the expenditures which meet those restrictions.
<b>Line-item budget</b>	The standard format for presenting financial plans now in use in most public school districts; provides figures on a districtwide basis, including an estimated beginning balance, expected revenue listed by source, planned expenditures listed by function and object, and a resulting ending balance.
<b>Object</b>	An expenditure category defining a type of specific thing the district will purchase; examples might include "personnel salaries" or "materials and supplies."

***Program budget*** A budget format organized around expenditures on specific services (programs) provided by the school system; an alternative to the usual line-item budget statement which presents expenditures by function and object.

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***Proposed budget*** The budget recommended to the school board by the superintendent or chief business officer based on a process of administrative planning.

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***Revenue*** Dollars the district receives from various sources; revenues plus the beginning balance comprise the money available to the district to pay for all needed expenditures.

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***School-site budget*** A format presenting the expenditures to be made by individual schools; an alternative to the usual line-item budget statement which presents expenditures by function and object.

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***System of accounts*** A statement of what is included under each category in the district budget and other financial documents; in effect, a dictionary defining how the district classifies its funds, revenue source headings, function headings, and object headings.

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